

AMENDED IN SENATE APRIL 8, 2013

SENATE BILL

No. 631

Introduced by Senator Beall

February 22, 2013

An act to amend Sections 1255, 1275, 127170, and 128740 of, and to add Section 1253.7 to, the Health and Safety Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 631, as amended, Beall. ~~Health-care. care:~~ *health facilities: observation and short-stay observation services.*

Existing law provides for the licensure and regulation of health facilities, including general acute care hospitals, by the State Department of Public Health. A violation of these provisions is a crime. Existing law provides that a general acute care hospital may be approved to offer special services, as specified, and requires the department to issue a special permit authorizing a health facility to offer one or more special services when specified requirements are met. Existing law provides for the application by general acute care hospitals for supplemental services approval and requires the department to, upon issuance and renewal of a license for certain health facilities, separately identify on the license each supplemental service.

This bill would require a general acute care hospital that provides observation and short-stay observation services, as defined, to apply for approval from the department to provide the services as a supplemental service, and would require a general acute care hospital to obtain a special permit to provide short-stay observation services. The bill would require the department to adopt and enforce staffing

standards for certain outpatient services and all ambulatory surgery centers, as specified, and would make other conforming changes.

By expanding the definition of a crime, this bill would create a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

~~Existing federal law, the federal Patient Protection and Affordable Care Act (PPACA), enacts various health care coverage market reforms that take effect January 1, 2014. Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance.~~

~~This bill would make findings and declarations regarding the PPACA and would declare the intent of the Legislature to evaluate the current use of observational and outpatient settings for the delivery of inpatient-level care, assess the volume of inpatient services delivered in these settings, and determine policy changes necessary to create safe care environments for patients receiving care in these settings.~~

~~Vote: majority. Appropriation: no. Fiscal committee: no-yes. State-mandated local program: no-yes.~~

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1253.7 is added to the Health and Safety
- 2 Code, to read:
- 3 1253.7. (a) For purposes of this chapter, “observation
- 4 services” and “short-stay observation” services mean outpatient
- 5 services provided by a general acute care hospital to those patients
- 6 described in subdivision (e) who have unstable or uncertain
- 7 conditions potentially serious enough to warrant close observation,
- 8 but not so serious as to warrant inpatient admission to the hospital.
- 9 Observation and short-stay observation services may include the
- 10 use of a bed, monitoring by nursing and other staff, and any other
- 11 services that are reasonable and necessary to safely evaluate a

1 *patient's condition or determine the need for a possible inpatient*
2 *admission to the hospital.*

3 *(1) Observation services may be provided for a period of no*
4 *more than 24 hours.*

5 *(2) Short-stay observation services may be provided for a period*
6 *of no more than 48 hours.*

7 *(b) A general acute care hospital that provides observation or*
8 *short-stay observation services shall, pursuant to Section 1253.6,*
9 *apply for approval from the department to provide the services as*
10 *a supplemental service.*

11 *(c) The department shall adopt standards and regulations,*
12 *pursuant to subdivision (a) of Section 1275, for the provision of*
13 *observation and short-stay observation services as a supplemental*
14 *service under the general acute care hospital's license.*

15 *(d) Short-stay observation services shall be a special service,*
16 *as defined in Section 1252, and shall require a special permit, as*
17 *defined in Section 1251.5.*

18 *(e) (1) Observation and short-stay observation services may*
19 *only be ordered by an appropriately licensed practitioner for any*
20 *of the following:*

21 *(A) A patient who has received triage services in the emergency*
22 *department but who has not been admitted as an inpatient.*

23 *(B) A patient who has received outpatient surgical services and*
24 *procedures.*

25 *(C) A patient who has been admitted as an inpatient and is*
26 *discharged to an observation center or short-stay observation*
27 *center.*

28 *(D) A patient previously seen in a physician's office or*
29 *outpatient clinic.*

30 *(f) Notwithstanding subdivisions (d) and (e) of Section 1275,*
31 *observation and short-stay observation services provided by the*
32 *general acute care hospital, including the services provided in a*
33 *freestanding physical plant, as defined in subdivision (g) of Section*
34 *1275, shall comply with the same staffing standards, including*
35 *licensed nurse-to-patient ratios, as supplemental emergency*
36 *services.*

37 *(g) A patient receiving observation or short-stay observation*
38 *services shall receive written notice that his or her care is being*
39 *provided in an outpatient setting, and that the provision of*
40 *observation or short-stay observation services in an outpatient*

1 *setting may impact reimbursement by Medicare, Medi-Cal, or*
2 *private payers of health care services, or cost-sharing*
3 *arrangements through his or her health care coverage.*

4 *(h) All areas in which observation or short-stay observation*
5 *services are provided shall be marked by signage identifying the*
6 *area as an outpatient area. The signage shall use the term*
7 *“outpatient” in the title of the area to clearly indicate to all*
8 *patients and family members that the observation or short-stay*
9 *observation services provided in the center are not inpatient*
10 *services.*

11 *(i) Observation and short-stay observation services shall be*
12 *deemed outpatient or ambulatory services that are*
13 *revenue-producing cost centers associated with hospital-based or*
14 *satellite service locations that emphasize outpatient care.*
15 *Identifying an observation or short-stay observation service by a*
16 *name or term other than that used in this subdivision shall not*
17 *exempt the general acute care hospital from the requirement of*
18 *providing observation or short-stay observation services as a*
19 *distinct supplemental service or a distinct supplemental special*
20 *permit service, as applicable.*

21 *(j) This section shall not modify standards for any other*
22 *outpatient services in health facilities licensed under Section 1250,*
23 *or clinics licensed under Chapter 1 (commencing with Section*
24 *1200), which limit the presence of patients in outpatient or clinic*
25 *facilities to less than 24 hours.*

26 *(k) Observation and short-stay observation service data reported*
27 *to the Office of Statewide Health Planning and Development*
28 *pursuant to subdivision (a) of Section 128740, shall be aggregated*
29 *for supplemental observation services and supplemental special*
30 *permit short-stay observation services when health facilities subject*
31 *to this section have multiple units or clinics that are approved for*
32 *both types of centers. For purposes of this subdivision,*
33 *“aggregated” means that both observation and short-stay*
34 *observation services provided in general acute care hospitals shall*
35 *be reported under “observation services” pursuant to paragraphs*
36 *(7), (11), and (15) of subdivision (a) of Section 128740.*

37 *SEC. 2. Section 1255 of the Health and Safety Code is amended*
38 *to read:*

39 *1255. (a) In addition to the basic services offered under the*
40 *license, a general acute care hospital may be approved in*

1 accordance with subdivision (c) of Section 1277 to offer special
2 services, including, but not limited to, the following:

- 3 (1) Radiation therapy department.
- 4 (2) Burn center.
- 5 (3) Emergency center.
- 6 (4) *Short-stay observation, as defined in Section 1253.7.*
- 7 ~~(4)~~
- 8 (5) Hemodialysis center (or unit).
- 9 ~~(5)~~
- 10 (6) Psychiatric.
- 11 ~~(6)~~
- 12 (7) Intensive care newborn nursery.
- 13 ~~(7)~~
- 14 (8) Cardiac surgery.
- 15 ~~(8)~~
- 16 (9) Cardiac catheterization laboratory.
- 17 ~~(9)~~
- 18 (10) Renal transplant.
- 19 ~~(10)~~
- 20 (11) Other special services as the department may prescribe by
21 regulation.

22 (b) A general acute care hospital that exclusively provides acute
23 medical rehabilitation center services may be approved in
24 accordance with subdivision (b) of Section 1277 to offer special
25 services not requiring surgical facilities.

26 (c) The department shall adopt standards for special services
27 and other regulations as may be necessary to implement this
28 section.

29 (d) (1) For cardiac catheterization laboratory service, the
30 department shall, at a minimum, adopt standards and regulations
31 that specify that only diagnostic services, and what diagnostic
32 services, may be offered by a general acute care hospital or a
33 multispecialty clinic as defined in subdivision (l) of Section 1206
34 that is approved to provide cardiac catheterization laboratory
35 service but is not also approved to provide cardiac surgery service,
36 together with the conditions under which the cardiac catheterization
37 laboratory service may be offered.

38 (2) Except as provided in paragraph (3), a cardiac catheterization
39 laboratory service shall be located in a general acute care hospital
40 that is either licensed to perform cardiovascular procedures

1 requiring extracorporeal coronary artery bypass that meets all of
2 the applicable licensing requirements relating to staff, equipment,
3 and space for service, or shall, at a minimum, have a licensed
4 intensive care service and coronary care service and maintain a
5 written agreement for the transfer of patients to a general acute
6 care hospital that is licensed for cardiac surgery or shall be located
7 in a multispecialty clinic as defined in subdivision (I) of Section
8 1206. The transfer agreement shall include protocols that will
9 minimize the need for duplicative cardiac catheterizations at the
10 hospital in which the cardiac surgery is to be performed.

11 (3) Commencing March 1, 2013, a general acute care hospital
12 that has applied for program flexibility on or before July 1, 2012,
13 to expand cardiac catheterization laboratory services may utilize
14 cardiac catheterization space that is in conformance with applicable
15 building code standards, including those promulgated by the Office
16 of Statewide Health Planning and Development, provided that all
17 of the following conditions are met:

18 (A) The expanded laboratory space is located in the building
19 so that the space is connected to the general acute care hospital by
20 an enclosed all-weather passageway that is accessible by staff and
21 patients who are accompanied by staff.

22 (B) The service performs cardiac catheterization services on no
23 more than 25 percent of the hospital's inpatients who need cardiac
24 catheterizations.

25 (C) The service complies with the same policies and procedures
26 approved by hospital medical staff for cardiac catheterization
27 laboratories that are located within the general acute care hospital,
28 and the same standards and regulations prescribed by the
29 department for cardiac catheterization laboratories located inside
30 general acute care hospitals, including, but not limited to,
31 appropriate nurse-to-patient ratios under Section 1276.4, and with
32 all standards and regulations prescribed by the Office of Statewide
33 Health Planning and Development. Emergency regulations
34 allowing a general acute care hospital to operate a cardiac
35 catheterization laboratory service shall be adopted by the
36 department and by the Office of Statewide Health Planning and
37 Development by February 28, 2013.

38 (D) Emergency regulations implementing this paragraph have
39 been adopted by the department and by the Office of Statewide
40 Health Planning and Development by February 28, 2013.

1 (E) This paragraph shall not apply to more than two general
2 acute care hospitals.

3 (4) After March 1, 2014, an acute care hospital may only operate
4 a cardiac catheterization laboratory service pursuant to paragraph
5 (3) if the department and the Office of Statewide Health Planning
6 and Development have adopted regulations in accordance with the
7 requirements of Chapter 3.5 (commencing with Section 11340) of
8 Part 1 of Division 3 of Title 2 of the Government Code that provide
9 adequate protection to patient health and safety including, but not
10 limited to, building standards contained in Part 2.5 (commencing
11 with Section 18901) of Division 13.

12 (5) Notwithstanding Section 129885, cardiac catheterization
13 laboratory services expanded in accordance with paragraph (3)
14 shall be subject to all applicable building standards. The Office of
15 Statewide Health Planning and Development shall review the
16 services for compliance with the OSHPD 3 requirements of the
17 most recent version of the California Building Standards Code.

18 (e) For purposes of this section, “multispecialty clinic,” as
19 defined in subdivision (l) of Section 1206, includes an entity in
20 which the multispecialty clinic holds at least a 50-percent general
21 partner interest and maintains responsibility for the management
22 of the service, if all of the following requirements are met:

23 (1) The multispecialty clinic existed as of March 1, 1983.

24 (2) Prior to March 1, 1985, the multispecialty clinic did not
25 offer cardiac catheterization services, dynamic multiplane imaging,
26 or other types of coronary or similar angiography.

27 (3) The multispecialty clinic creates only one entity that operates
28 its service at one site.

29 (4) These entities shall have the equipment and procedures
30 necessary for the stabilization of patients in emergency situations
31 prior to transfer and patient transfer arrangements in emergency
32 situations that shall be in accordance with the standards established
33 by the Emergency Medical Services Authority, including the
34 availability of comprehensive care and the qualifications of any
35 general acute care hospital expected to provide emergency
36 treatment.

37 (f) Except as provided in this section and in Sections 128525
38 and 128530, under no circumstances shall cardiac catheterizations
39 be performed outside of a general acute care hospital or a

1 multispecialty clinic, as defined in subdivision (l) of Section 1206,
2 that qualifies for this definition as of March 1, 1983.

3 *SEC. 3. Section 1275 of the Health and Safety Code is amended*
4 *to read:*

5 1275. (a) The ~~state~~ department shall adopt, amend, or repeal,
6 in accordance with Chapter 3.5 (commencing with Section 11340)
7 of Part 1 of Division 3 of Title 2 of the Government Code and
8 Chapter 4 (commencing with Section 18935) of Part 2.5 of Division
9 13, any reasonable rules and regulations as may be necessary or
10 proper to carry out the purposes and intent of this chapter and to
11 enable the ~~state~~ department to exercise the powers and perform
12 the duties conferred upon it by this chapter, not inconsistent with
13 any statute of this state including, but not limited to, the State
14 Building Standards Law, Part 2.5 (commencing with Section
15 18901) of Division 13.

16 All regulations in effect on December 31, 1973, which were
17 adopted by the State Board of Public Health, the State Department
18 of Public Health, the State Department of Mental Hygiene, or the
19 State Department of Health relating to licensed health facilities
20 shall remain in full force and effect until altered, amended, or
21 repealed by the director or pursuant to Section 25 or other
22 provisions of law.

23 (b) Notwithstanding this section or any other ~~provision of law~~,
24 the Office of Statewide Health Planning and Development shall
25 adopt and enforce regulations prescribing building standards for
26 the adequacy and safety of health facility physical plants.

27 (c) The building standards adopted by the State Fire Marshal,
28 and the Office of Statewide Health Planning and Development
29 pursuant to subdivision (b), for the adequacy and safety of
30 freestanding physical plants housing outpatient services of a health
31 facility licensed under subdivision (a) or (b) of Section 1250 shall
32 not be more restrictive or comprehensive than the comparable
33 building standards established, or otherwise made applicable, by
34 the State Fire Marshal and the Office of Statewide Health Planning
35 and Development to clinics and other facilities licensed pursuant
36 to Chapter 1 (commencing with Section 1200).

37 (d) Except as provided in subdivision (f), the licensing standards
38 adopted by the ~~state~~ department under subdivision (a) for outpatient
39 services located in a freestanding physical plant of a health facility
40 licensed under subdivision (a) or (b) of Section 1250 shall not be

1 more restrictive or comprehensive than the comparable licensing
2 standards applied by the ~~state~~ department to clinics and other
3 facilities licensed under Chapter 1 (commencing with Section
4 1200).

5 (e) Except as provided in subdivision (f), the state agencies
6 specified in subdivisions (c) and (d) shall not enforce any standard
7 applicable to outpatient services located in a freestanding physical
8 plant of a health facility licensed pursuant to subdivision (a) or (b)
9 of Section 1250, to the extent that the standard is more restrictive
10 or comprehensive than the comparable licensing standards applied
11 to clinics and other facilities licensed under Chapter 1
12 (commencing with Section 1200).

13 (f) All health care professionals providing services in settings
14 authorized by this section shall be members of the organized
15 medical staff of the health facility to the extent medical staff
16 membership would be required for the provision of the services
17 within the health facility. All services shall be provided under the
18 respective responsibilities of the governing body and medical staff
19 of the health facility.

20 (g) For purposes of this section, “freestanding physical plant”
21 means any building which is not physically attached to a building
22 in which inpatient services are provided.

23 (h) *Notwithstanding subdivisions (d) and (e), or any other law,*
24 *the department shall adopt and enforce staffing standards for*
25 *supplemental outpatient surgical services provided in a*
26 *freestanding physical plant of a health facility licensed under*
27 *subdivision (a) of Section 1250 that are consistent with the staffing*
28 *standards for inpatient surgical services and post-anesthesia care*
29 *provided in general acute care hospitals and that shall apply when*
30 *the freestanding physical plant provides outpatient services and*
31 *anesthesia, except local anesthesia or peripheral nerve blocks, or*
32 *both, is used in compliance with the community standard of*
33 *practice, in doses that, when administered, have the probability*
34 *of placing a patient at risk for loss of the patient’s life-preserving*
35 *protective reflexes.*

36 (i) *Notwithstanding subdivisions (d) and (e), or any other law,*
37 *the department shall adopt and enforce staffing standards for*
38 *supplemental outpatient surgical services of a health facility*
39 *licensed under subdivision (a) of Section 1250 that are consistent*
40 *with the staffing standards for inpatient surgical services and*

1 *post-anesthesia care provided in general acute care hospitals and*
2 *that shall apply when anesthesia, except local anesthesia or*
3 *peripheral nerve blocks, or both, is used in compliance with the*
4 *community standard of practice, in doses that, when administered,*
5 *have the probability of placing a patient at risk for loss of the*
6 *patient's life-preserving protective reflexes.*

7 *(j) Notwithstanding any other law, the department shall adopt*
8 *and enforce staffing standards for ambulatory surgery centers not*
9 *included in subdivisions (h) and (i) for a health facility licensed*
10 *under subdivision (a) of Section 1250 that are consistent with the*
11 *staffing standards for inpatient surgical services and*
12 *post-anesthesia care provided in general acute care hospitals and*
13 *that shall apply when the ambulatory surgery center provides*
14 *outpatient services and anesthesia, except local anesthesia or*
15 *peripheral nerve blocks, or both, is used in compliance with the*
16 *community standard of practice, in doses that, when administered,*
17 *have the probability of placing a patient at risk for loss of the*
18 *patient's life-preserving protective reflexes.*

19 *SEC. 4. Section 127170 of the Health and Safety Code is*
20 *amended to read:*

21 *127170. Except as otherwise exempted by any other provision*
22 *of law, projects requiring a certificate of need issued by the office*
23 *are the following:*

24 *(a) Construction of a new health facility, relocation of a health*
25 *facility or specialty clinic on a site that is not the same site or*
26 *adjacent thereto, the increase of bed capacity in an existing health*
27 *facility, the conversion of an entire existing health facility from*
28 *one license category to another, or the conversion of a health*
29 *facility's existing beds from any bed classification set forth in*
30 *Section 1250.1 to skilled nursing beds, psychiatric beds, or*
31 *intermediate care beds, and the conversion of skilled nursing beds,*
32 *psychiatric beds, or intermediate care beds to any other bed*
33 *classification set forth in Section 1250.1, except for skilled nursing*
34 *beds or intermediate care beds licensed as of March 1, 1983, as*
35 *part of a general acute care hospital. The conversion may not*
36 *exceed during any three-year period 5 percent of the existing beds*
37 *of the bed classification to which the conversion is made.*

38 *A health facility may use beds in one bed classification that,*
39 *pursuant to the facility's license, have been designated in another*
40 *bed classification, if all of these bed classification changes do not*

1 at any time exceed 5 percent of the total number of the facility's
2 beds as set forth by the facility's license and if this use meets the
3 requirements of Chapter 2 (commencing with Section 1250) of
4 Division 2. In addition, a facility may use an additional 5 percent
5 of its beds in this manner if the director finds that seasonal
6 fluctuations justify it.

7 For purposes of this subdivision, "adjacent," means real property
8 within a 400-yard radius of the site where a health facility or
9 specialty clinic currently exists.

10 (b) Establishment of a new specialty clinic, as defined in
11 paragraphs (1) and (3) of subdivision (b) of Section 1204, a project
12 by a health facility for expanded outpatient surgical capacity, the
13 conversion of an existing primary care clinic to a specialty clinic,
14 or the conversion of an existing specialty clinic to a different
15 category of specialty-clinic licensure. It does not constitute a
16 project and no certificate of need is required for the establishment
17 of a primary care clinic, as defined in subdivision (a) of Section
18 1204, the conversion of an existing specialty clinic to a primary
19 care clinic, or the conversion of an existing primary care clinic to
20 a different category of primary-care-clinic licensure. Any capital
21 expenditure involved in the establishment of a primary care clinic
22 also does not constitute a project, except as provided in subdivision
23 (d).

24 (c) The establishment of a new special service delineated in
25 ~~subdivision (a), (b), (c), (d), (e), (f), (g), or (h)~~ *paragraph (1), (2), (3),*
26 *(6), (7), (8), or (9) of subdivision (a)* of Section 1255, or the
27 establishment by a specialty clinic, as defined in paragraphs (1)
28 and (3) of subdivision (b) of Section 1204, of a new special service
29 identified by or pursuant to Section 1203.

30 (d) The initial purchase or lease by a clinic subject to licensure
31 under Chapter 1 (commencing with Section 1200) of Division 2,
32 of diagnostic or therapeutic equipment with a value in excess of
33 one million dollars (\$1,000,000) in a single fiscal year, or where
34 the cumulative cost exceeds this amount in more than one fiscal
35 year. For purposes of this subdivision, the purchase or lease of one
36 or more articles of functionally related diagnostic or therapeutic
37 equipment, as determined by the office, shall be considered
38 together.

39 (e) (1) Any project requiring a capital expenditure for a
40 specialty clinic, as defined in paragraphs (1) and (3) of subdivision

(b) of Section 1204, or for the services, equipment or modernization of a specialty clinic in excess of one million dollars (\$1,000,000) in the current fiscal year or cumulation to an expenditure of one million dollars (\$1,000,000) in the same fiscal year or subsequent fiscal years for a single project.

(2) The threshold exemptions from certificate-of-need requirements provided for in this subdivision do not apply to projects for expanded outpatient surgical capacity.

(3) For the purposes of this subdivision, “capital expenditure” means any of the following:

(A) An expenditure, including an expenditure for a construction project undertaken by the specialty clinic as its own contractor, that under generally accepted accounting principles is not properly chargeable as an expense of operation and maintenance and that exceeds one million dollars (\$1,000,000). The cost of studies, surveys, legal fees, land, offsite improvements, designs, plans, working drawings, specifications, and other activities essential to the acquisition, improvement, expansion, or replacement of the physical plant and equipment for which the expenditure is made shall be included in determining whether the cost exceeds one million dollars (\$1,000,000). Where the estimated cost of a proposed project, including cost escalation factors appropriate to the area where the project is located, is, within 60 days of the date that the obligation for the expenditure is incurred, certified by a licensed architect or engineer to be one million dollars (\$1,000,000) or less, that expenditure shall be deemed not to exceed one million dollars (\$1,000,000) regardless of the actual cost of the project. However, in any case where the actual cost of the project exceeds one million dollars (\$1,000,000) the specialty clinic on whose behalf the expenditure is made shall provide written notification of the cost to the office not more than 30 days after the date that the expenditure is incurred. The notification shall include a copy of the certified estimate.

(B) The acquisition, under lease or comparable arrangement, or through donation, of equipment for a specialty clinic, the expenditure for which would have been considered a capital expenditure if the person had acquired it by purchase. For the purposes of this paragraph, “donation” does not include a bequest.

(C) Any change in a proposed capital expenditure that meets the criteria set forth in this subdivision.

1 (4) “Capital expenditure” includes the total cost of the proposed
2 project as certified by a licensed architect or engineer based on
3 preliminary plans or specifications and concurred in by the state
4 department.

5 (5) For the purposes of this subdivision, “project” does not
6 include the purchase of real property for future use or the transfer
7 of ownership, in whole or part, of an existing specialty clinic or
8 the acquisition of all or substantially all of the assets or stock
9 thereof, or the construction, modernization, purchase, lease, or
10 other acquisition of parking lots or parking structures, telephone
11 systems, and nonclinical data-processing systems.

12 (6) For the purposes of this subdivision, “modernization” means
13 the alteration, expansion, repair, remodeling, replacement, or
14 renovation of existing buildings, including initial equipment
15 thereof, and the replacement of equipment of existing buildings.

16 (f) Except as provided in subdivision (g), only those projects
17 where 25 percent or less of the patients are covered by prepaid
18 health care.

19 (g) Projects otherwise subject to review under subdivision (a)
20 that are for the addition of new licensed skilled nursing beds by
21 construction or conversion, regardless of the percentage of patients
22 served who are covered by prepaid health care.

23 (h) (1) Except as provided in paragraph (2), the office shall
24 annually adjust the dollar thresholds set forth in subdivisions (d)
25 and (e) to reflect changes in the cost of living, as determined by
26 the Department of Finance, using 1981 as the base year.

27 (2) Notwithstanding the amount of the dollar thresholds
28 specified in paragraph (1), in the event Congress increases or
29 repeals the amount or amounts of the thresholds, the dollar
30 thresholds set forth in subdivisions (d) and (e) shall be the highest
31 amount or amounts permitted by Public Law 93-641, as amended,
32 or one million dollars (\$1,000,000), whichever is less, on the date
33 congressional action is effective.

34 (i) This section is not applicable to an intermediate care
35 facility/developmentally disabled habilitative or an intermediate
36 care facility/developmentally disabled—nursing.

37 *SEC. 5. Section 128740 of the Health and Safety Code is*
38 *amended to read:*

39 128740. (a) Commencing with the first calendar quarter of
40 1992, the following summary financial and utilization data shall

1 be reported to the office by each hospital within 45 days of the
2 end of every calendar quarter. Adjusted reports reflecting changes
3 as a result of audited financial statements may be filed within four
4 months of the close of the hospital's fiscal or calendar year. The
5 quarterly summary financial and utilization data shall conform to
6 the uniform description of accounts as contained in the Accounting
7 and Reporting Manual for California Hospitals and shall include
8 all of the following:

- 9 (1) Number of licensed beds.
- 10 (2) Average number of available beds.
- 11 (3) Average number of staffed beds.
- 12 (4) Number of discharges.
- 13 (5) Number of inpatient days.
- 14 (6) Number of outpatient visits, *excluding observation and*
15 *short-stay observation service visits.*
- 16 (7) *Number of observation and short-stay observation service*
17 *visits and number of hours of services provided.*
- 18 ~~(7)~~
- 19 (8) Total operating expenses.
- 20 ~~(8)~~
- 21 (9) Total inpatient gross revenues by payer, including Medicare,
22 Medi-Cal, county indigent programs, other third parties, and other
23 payers.
- 24 ~~(9)~~
- 25 (10) Total outpatient gross revenues by payer, including
26 Medicare, Medi-Cal, county indigent programs, other third parties,
27 and other payers.
- 28 (11) *Total observation and short-stay observation service gross*
29 *revenues by payer, including Medicare, Medi-Cal, county indigent*
30 *programs, other third parties, and other payers.*
- 31 ~~(10)~~
- 32 (12) Deductions from revenue in total and by component,
33 including the following: Medicare contractual adjustments,
34 Medi-Cal contractual adjustments, and county indigent program
35 contractual adjustments, other contractual adjustments, bad debts,
36 charity care, restricted donations and subsidies for indigents,
37 support for clinical teaching, teaching allowances, and other
38 deductions.
- 39 ~~(11)~~
- 40 (13) Total capital expenditures.

~~(12)~~

~~(14)~~ Total net fixed assets.

~~(13)~~

~~(15)~~ Total number of inpatient days, outpatient visits, *excluding observation and short-stay observation service visits*, and discharges by payer, including Medicare, Medi-Cal, county indigent programs, other third parties, self-pay, charity, and other payers.

~~(14)~~

~~(16)~~ Total net patient revenues by payer including Medicare, Medi-Cal, county indigent programs, other third parties, and other payers.

~~(15)~~

~~(17)~~ Other operating revenue.

~~(16)~~

~~(18)~~ Nonoperating revenue net of nonoperating expenses.

(b) Hospitals reporting pursuant to subdivision (d) of Section 128760 may provide the items in paragraphs ~~(7), (8), (9), (10), (14), (15), and (16)~~ (8), (9), (10), (12), (16), (17), and (18) of subdivision (a) on a group basis, as described in subdivision (d) of Section 128760.

(c) The office shall make available at cost, to any person, a hard copy of any hospital report made pursuant to this section and in addition to hard copies, shall make available at cost, a computer tape of all reports made pursuant to this section within 105 days of the end of every calendar quarter.

(d) The office shall adopt by regulation guidelines for the identification, assessment, and reporting of charity care services. In establishing the guidelines, the office shall consider the principles and practices recommended by professional health care industry accounting associations for differentiating between charity services and bad debts. The office shall further conduct the onsite validations of health facility accounting and reporting procedures and records as are necessary to assure that reported data are consistent with regulatory guidelines.

This section shall become operative January 1, 1992.

SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or

infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

~~SECTION 1. (a) The Legislature finds and declares the following:~~

~~(1) The landscape of health care delivery is changing as we look forward to the full implementation of the federal Patient Protection Affordable Care Act (PPACA) in California, through which millions of uninsured Californians will obtain health care coverage. As rates of health care coverage increase, it is anticipated that more individuals will seek health care services, including services in general acute care hospitals. The increased demand may place additional strains on already crowded emergency departments and hospitals.~~

~~(2) The PPACA imposes new requirements on general acute care hospitals that will likely result in those hospitals making significant organizational changes in order to promote the goals of the PPACA to lower health care costs. These organizational changes may range from reducing readmission rates, changing the ways in which patient acuity is assessed, and making more efficient use of bed space.~~

~~(3) Currently, hospitals delay admission of some patients through extensive use of observational settings. These settings are often found adjacent to emergency departments, and are used as an alternative to admitting patients who cannot be safely discharged to their homes. In these settings, patients are placed for what can be prolonged periods of time, often extending beyond 24 hours.~~

~~(4) The use of outpatient services is expected to increase as hospitals adapt to payment models that incent avoidance of hospital readmission. Further, some hospitals have enacted models in which inpatient services, including inpatient cardiac catheterization, are provided in outpatient settings.~~

~~(5) Observational and outpatient settings are not subject to many of the laws and regulations aimed at ensuring patient safety and adequate staffing standards, and the increasing use of these settings for patients in need of inpatient care raises serious concerns about patient access to safe levels of care and service.~~

1 ~~(b) To ensure that patients are not denied access to safe inpatient~~
2 ~~care in today's health care delivery system, and as hospitals adjust~~
3 ~~their business models to comport with new PPACA requirements;~~
4 ~~it is the intent of the Legislature to evaluate the current use of~~
5 ~~observational and outpatient settings for the delivery of~~
6 ~~inpatient-level care, assess the volume of inpatient services~~
7 ~~delivered in these settings, and determine policy changes necessary~~
8 ~~to create safe care environments for patients receiving care in these~~
9 ~~settings.~~

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